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Washington Merry-Go-Round



By JACK ANDERSON

WASHINGTON — In the most dazzling lobbying performance since Peter Minuit sweet-talked the Indians out of Manhattan for \$24, El Paso Natural Gas is sewing up gas markets in the western United States even as it monopolizes the flow from gas-rich Algeria.

And the taxpayers are playing the tune for this amazing corporate toe-dance. Hundreds of millions in federal funds — in the form of subsidies, loans and loan guarantees — will cushion El Paso against financial risks.

We have reported in the past that Congress seems bent on overturning three Supreme Court rulings to give El Paso a billion-dollar monopoly on gas sales in much of the West. Now, we can disclose how the White House, Treasury, State and Defense Departments and Export-Import Bank are rustling up federal money to assure that El Paso gets all importing rights on Algeria's vast natural gas fields.

The Algerians are curious recipients of U.S. largesse at best. They prance in the aisles when the U.S. suffers UN defeats. They give haven to such fugitives as Eldridge Cleaver and Tim Leary who denounce the U.S. from Algerian rooftops.

But El Paso's friends in government, such as Treasury Secretary John Connally and White House oil advisor Peter Flanigan, have been able to ignore these little matters of national pride because the price is right.

Therefore, El Paso shortly will be importing billions of cubic feet of Algerian natural gas which will cost from four to seven times more than ordinary domestic gas.

The story is immensely complex. But we have extracted the details from key bankers, government officials and natural gas experts. In a nutshell, here's how El Paso will mine its bonanza, courtesy of the U.S. exchequer.

At least \$450 million in loans will be floated to pay Algeria for liquifying natural gas and loading it onto special tankers. The purpose, supposedly, is to relieve the U.S. gas shortage.

The \$450 million will be supplied to Algeria in this way:

- A \$150 million loan from the U.S. Export-Import Bank, which specializes in exporting the taxpayers' money.

- Another \$150 million in loans from U.S. commercial banks, led by Manufacturers

Hanover Trust and guaranteed by Export-Import.

- Another \$50 million from the overseas funds of the Manufacturers Hanover consortium, with the same guaranteee.

- A total of \$100 million raised by Algeria from the Manufacturers Hanover consortium but not guaranteed by Export-Import.

BONANZA FOR BANKS — Thus \$350 million of the total will be loaned outright or guaranteed by the U.S. government, with the gigantic Manufacturers Hanover consortium gaining a bonanza from interest on risk-free loans.

As part of the deal, the poor taxpayer will be called on to cough up \$80 million in subsidies to construct six tankers in U.S. shipyards.

Or as an alternate arrangement, the Export-Import Bank would be asked to finance the construction. Ownership of the vessels would be given nominally to a foreign concern, in this case.

So while the taxpayer digs into his pockets to subsidize a deal that will wind up increasing his natural gas bills, El Paso's real risk is minimal and its potential for profits astronomical. The deal, though still in flux on some details, is almost certain to go through. Only Federal Power Commission approval is necessary.

And the chairman of the FPC is none other than John Nassikas, the pro-industry patsy who has neglected the homeowners and has devoted his efforts to fattening corporate profits.

Footnote: White House aide Flanigan greased the ways for El Paso after private talks with its boss, dynamic Howard Boyd. Through a call to Nassikas and others, Flanigan helped push the deal through Washington's red tape jungles. By an interesting coincidence, Flanigan's father, Horace, created Manufacturers Hanover through a merger although he has now retired from the bank's active leadership. The Flanigan fortune is still husbanded by Manufacturers Hanover in a "blind trust." Nevertheless, Pete Flanigan said he did not know of Manufacturers Hanover's role until we told him. And Mike Bouteff, the brilliant Manufacturers Hanover financier who is putting together the loan package, said "absolutely not" when we asked him whether Flanigan had played a role in arranging the bank's windfall.

WIRETAP WORRIES — The Senate has the wiretap heebie-jeebies again.

Sen. Mike Gravel, D-Alaska, who read the Pentagon Papers into a Senate committee record, was told by a staffer with electronic experience that his office telephone lines were tapped. Since Gravel has figured in the federal investigation of the Pentagon Papers case, he had cause for concern.

Gravel called in the Spy Shop, a Washington electronics equipment store. The Spy Shop reported "a radio-type induction hum" in Gravel's phone lines. They said this indicated "a new development in phone tapping too complex to break."

By now, really upset, Gravel paid the \$1,000 fee for this advice and solicited the additional aid of experts from the Massachusetts Institute of Technology. But the MIT sleuths found no evidence of any telephone tapping or bugging. Gravel has concluded that either the tap was removed or that his original fears were unfounded.